

<b>LFC Requester:</b>	<b>Marty Daly</b>
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**AGENCY BILL ANALYSIS  
2015 REGULAR SESSION**

**WITHIN 24 HOURS OF BILL POSTING, EMAIL ANALYSIS TO:**

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*{Include the bill no. in the email subject line, e.g., HB2, and only attach one bill analysis and related documentation per email message}*

**SECTION I: GENERAL INFORMATION**

*{Indicate if analysis is on an original bill, amendment, substitute or a correction of a previous bill}*

Check all that apply:

Original     Amendment      
Correction     Substitute   

Date Prepared: 1/22/2015

Bill No: SB 199

Sponsor: Sen. Gerald Ortiz y Pino  
Land Grant-Merced Project

Agency/Code: Attorney General's Office

Person Writing Analysis: Betsy Glenn

Short Title: Finance Act

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**SECTION II: FISCAL IMPACT**

**APPROPRIATION (dollars in thousands)**

Appropriation		Recurring or Nonrecurring	Fund Affected
FY15	FY16		

(Parenthesis ( ) Indicate Expenditure Decreases)

**REVENUE (dollars in thousands)**

Estimated Revenue			Recurring or Nonrecurring	Fund Affected
FY15	FY16	FY17		

(Parenthesis ( ) Indicate Expenditure Decreases)

**ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)**

	<b>FY15</b>	<b>FY16</b>	<b>FY17</b>	<b>3 Year Total Cost</b>	<b>Recurring or Nonrecurring</b>	<b>Fund Affected</b>
<b>Total</b>						

(Parenthesis ( ) Indicate Expenditure Decreases)

Duplicates/Conflicts with/Companion to/Relates to:  
Duplicates/Relates to Appropriation in the General Appropriation Act:

**SECTION III: NARRATIVE**

This analysis is neither a formal Attorney General’s Opinion nor an Attorney General’s Advisory Letter. This is a staff analysis in response to an agency’s, committee’s, or legislator’s request.

**BILL SUMMARY**

Synopsis:

SB 199 enacts the “Land Grant-Merced Project Finance Act.” The proposed act’s purpose is to address issues related to the inability of land grants to make vendor payments related to capital projects funded with appropriations from severance tax bond revenues. The bill states that this inability stems from a land grant’s limited available financial resources. SB 199 addresses the problem by allowing a land grant to obtain loans to make vendor payments. The New Mexico Finance Authority (“NMFA”) is responsible for making the loans from the land grant-merced project fund created under the bill.

**FISCAL IMPLICATIONS**

**SIGNIFICANT ISSUES**

1. There is an apparent mismatch between the purpose of the bill and its substantive provisions. Section 2(A)(4) states as one of the legislative findings that the requirements of the funding process for a capital project “including the required initial payments to vendors by appropriation recipients,” such as land grants-mercedes, “often exceed the resources of the recipients,” which leads to project delays, missed deadlines for the use of severance tax bond revenues and cancellation of the projects. This suggests that the loans authorized under SB 199 are to allow land grants to make initial vendor payments that, if missed, have the negative results described in Section 2(A)(4). The substance of the bill, however, permits loans for any vendor payment related to a capital project for which an appropriation has been authorized by the legislature. See Sections 4 & 5.
2. The bill refers to payments made by the NMFA as “loans.” However, SB 199 does not require land grants to repay the money they receive for vendor payments. Instead, SB 199 apparently contemplates that the Department of Finance and Administration will reimburse the land grant-merced project fund for amounts NMFA pays out for loans. See Section 6.
3. SB 199 does not specify the source of the money DFA uses to reimburse the fund under Section 6. Presumably, it is comes from the amount appropriated for the underlying capital project. But whatever the source is, it should be expressly stated in the bill.

## **PERFORMANCE IMPLICATIONS**

## **ADMINISTRATIVE IMPLICATIONS**

## **CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP**

## **TECHNICAL ISSUES**

SB 199 uses inconsistent language to describe the purpose of the loans. To illustrate, Section 4(A) requires NMFA to develop application procedures for land grants “to apply for vendor payments for qualifying projects,” Section 4(B) & (C) and Section 7 refer to loans for qualifying projects and Section 5 refers to loans for vendor payments. To avoid confusion and misinterpretation, the language should be amended so that it is consistent throughout the bill. For example, the inconsistent references described above might all be changed to “loans for vendor payments in connection with qualifying projects.”

## **OTHER SUBSTANTIVE ISSUES**

## **ALTERNATIVES**

## **WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL**

## **AMENDMENTS**

1. Because SB 199 does not require land grants-mercedes to repay the loans, the term “loan” may not be accurate. If the loans are to be repaid from amounts appropriated for a qualifying project, the payments might better be described as “advances.”
2. See discussion above under “Technical Issues.”